THE CRISIS IN THE SCOTTISH COAL INDUSTRY

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Introduction

Nineteen eighty eight saw the unprecedented spectacle of two major nationalised power industries engaged in a legal battle in the Scottish courts to resolve issues with far-reaching ramifications for the Scottish economy. On 1st March 1988, after months of fruitless negotiations, British Coal (BC) sought an interim interdict against the South of Scotland Electricity Board (SSEB) in order to prevent the electricity board from accepting tenders from foreign suppliers of coal, (from which the latter argued it could buy more cheaply than from BC), by claiming that there were pre-existing contracts to supply Longannet and Cockenzie power stations with coal from Scottish pits into the 1990s. This interim interdict was granted to the coal industry, but was later set aside in an attempt to conciliate the SSEB and provide the grounds upon which to negotiate for a long-term contract to provide Scottish deep-mined coal to the power stations.

However, despite a three month negotiating period during which no imported coal would be burnt at the two power stations mentioned, the SSEB continued to buy coal from foreign sources. The main supplier, for these contracts, Shell, is said to have made a loss in its eagerness to secure the market. When the two sides met on the 30th June 1988 in order to seek ways to extend the ceasefire, it was these stocks of imported coal, amounting to 1 million tonnes, which were to prove the stumbling block to finding a settlement. For although prices and tonnages were agreed for a further nine months, the SSEB still insisted that it wished to burn the foreign coal at power stations other than the inefficient Kincardine station, which was not covered by the interim interdict, and which is estimated as having one-tenth of the combined power of Longannet and Cockenzie; BC, on the other hand, sought to ensure that some 750,000 tonnes would be burnt solely at Kincardine station.

On the surface, much of the controversy can be apportioned to an intransigent SSEB, eager to improve its financial and organisational position in the years prior to privatisation. The SSEB balance sheet looked particularly poor after an over-investment in unnecessary capacity, notably Torness, had put its total debts for 1987/88 at £1.82 billion. Financial advisors to the SSEB, and the Scottish Office, had informed the utility that its profit margin must be improved in the run-up to privatisation to increase

its attractiveness. The new strategy of cutting costs must certainly be seen in this light. Yet there are also more practical problems for BC. With Torness coming on stream, previous investment in Hunterston 'B', and with Inverkip able to burn more oil since 1986, the SSEB's demand for Scottish coal has fallen. This is evidenced in its reduced need for coal from Monktonhall, which BC duly closed. It is for these reasons that the SSEB has sought only a one or two year contract, and to overturn the longer-term commitment to take Scottish coals for Longannet and Cockenzie. BC, in turn, has argued that not only has it invested £60 million in the new Castlebridge extension to Longannet, but that it needs a long-term contract until the end of the 1990s in order to plan its deep mine policy, necessary due to the massive input of planning and investment involved, and to ensure the redevelopment of the Frances Colliery in Fife.

Yet in many ways BC has wilfully, if unwittingly, placed itself in the unenviable position wherein it must resort to court action to keep the contract of its most significant customer as a result of the policies it has followed since the late 1970s. It is the purpose of this article, therefore, to trace, albeit briefly, the major ways in which, in this 'battle of the giants', BC has, by its own policies, exacerbated the weak position in which it now finds itself.

Governmental Policies and their Consequences for the Coal Industry

The 1980s have witnessed an international expansion in coal production, which can be seen as having developed from a growing concern from the early 1970s about oil reserves and supplies, and worries about nuclear energy. This increased world production, with resultant drives by foreign coal suppliers to secure markets, has served to lower world prices below the costs of production. Yet the same period has seen a contraction in the Scottish mining industry, as with the British coalfield as a whole, which has acted to enhance the exposure of Scottish coals to foreign competition. This has been, in no small way, the consequence of governmental policies since 1979.

The undermining of the coal industry by the Tory government is the result of two central thrusts of its ideological position; the first political, the second economic. The first factor is intimately connected to the seeming defeat of Heath's government at the hands of the National Union of Mine-Workers (NUM) in 1972 and 1974. It was in the climate of this apparent crisis that a report was sent to Derek Ezra by Wilfred Miron, National Coal Board member with Regional Responsibilities, in December 1973. In this document Miron sets out changes which would counter the potential threat from the Miners' Union in the future. He produced a programme which would implement technological changes, especially automated processes; alter payment structures; redirect investment to 'moderate' areas; limit future manning; remove 'subversive political influences', and ensure that

as many employed as possible were outwith the NUM. Managerial attitudes were to be reorientated in compliance with the new proposals. The requirements for such moves hinged on Miron's perception of the political militancy of the miners. A quotation from this document serves to indicate its tone:-

> "We must keep in mind that the strategy of the NUM's Executive will become increasingly politically oriented and that its Left-Wing (Communists, Marxistsand their ilk, however organisationally fragmented) will maintain a unified strategy towards the ideological end – the overthrow of the present 'system'.... These Left Wingers now in office, or to achieve office, are not going to be changed; they will not be diverted from their political dedication[1]."

The activities surrounding the report were to be kept quiet yet Saville argues that by 1979 "the Miron proposals were mostly in place, or in process, aided by new micro-processor technology[2]." Evidence for this claim, and the effects for Scotland, can be seen from later arguments. Of greater public knowledge is the set of plans known as the Ridley Report, which was the final report of the Ridley Committee, leaked to *The Economist* on the 27th May 1978. It laid out a strategy for challenge from what it called a 'vulnerable industry', such as coke, which operated with "the full force of communist disruptors." The report stated:-

> "The group believes that the most likely battleground will be the coal industry. They would like a Thatcher government to: (a) build up maximum coal stocks, particularly at the power stations; (b) make contigency plans for the import of coal; (c) encourage the recruitment of non-union lorry drivers by haulage companies to help move coal where necessary; (d) introduce dual coal/oil firing in all power stations as quickly as possible[3]."

These two reports serve to demonstrate the preparedness of hostile forces within the NCB and Tory party to augment policy decisions for overtly political ends but which, as will be seen later, would also have important ramifications for the economic state of BC in the 1980s. We can see in such documents a political desire to lessen dependence upon coal in order to undermine the miners' industrial power. It could be argued that it is as a result of this desire that Britain has been the only country with indigeneous fuel supplies to invest heavily in nuclear power; investing around £10 billion in nuclear generating stations. Yet such strategies have also been supplemented by Conservative economic policies which have sought, financially at least, to lessen the ties between government and the nationalised industries. The demand by government for BC to break even, now set for 1988/9, has also been crucially connected to BC's policies in the 1980s.

BC Super-Pit Strategy and the Scottish Coal Industry

The financial restrictions placed on BC means that its recent policies have focused on ways in which costs could be cut whilst maintaining maximum output. To these ends, emphasis has been placed increasingly upon a 'super-pit' strategy. This has involved substantial investment in both new pits, (the best known of which is Selby, which cost £1.5 billion), and in new roadways linking some existing pits to greatly improve the time miners can work at the face each shift. This has operated in conjunction with the new advanced automation processes known as MINOS, (Mines Operating System). This system acts to increase the productivity of capital, reduce manpower and give greater managerial control over work processes. All of this was foreshadowed in the Miron Report, and formed the basis of the investment policies pursued by the NCB during the Labour government of 1974-79. However, the MINOS systems are best operationalised in pits where uncertainty in mining conditions is reduced to a minimum. The super-pit strategy consequently has been concentrated in the central coalfield where the geological conditions are more suitable to systems engineering, and in all cases has sought to place emphasis on production, associated with drastic reductions in manpower, and for one main purchaser, the Central Electricity Generating Board (CEGB). It is thus a production-oriented strategy, rather than a market-led one.

BC's policies were to have crucial effects for the Scottish industry. The domination of the CEGB, and SSEB, over BC's concerns means that BC has chosen to undervalue other potential markets; in particular, domestic and coking coals, and anthracite. Thus it has rundown its specialised products in favour of coal for the power stations, served by English super-pits. National funding in the 1980s has been available only for pits serving the power station market, whilst other forms of expenditure have had to be met from local resources. BC policy has consequently become overly-reliant on the CEGB and SSEB, and those pits unable to participate in the major market were to be those that were closed. Between 1979 and the end of March 1988 the number of collieries in Britain dropped from 319 to 96. In Scotland the position has become virtually terminal as, within the same period, the fall has been from 16 to 4; Bilston Glen, Barony, and Solgirth and Castlebridge, both in the Longannet Complex. The numbers employed have fallen from 21,000 to a mere 3,000.

BC's policies have served to make Scotland peripheral to its concerns. Both political and economic factors are important to this trend. Within the arguments laid down by Miron in the early 1970s, Scotland was seen as a politically 'unmoderate' area, where the communist president Mick McGahey and the young 'Marxist' Eric Clarke, later to become General Secretary of the Scottish Area NUM, were singled out for especial mention. It was in such an area that Miron believed moves should be made to lessen the power of the miners. Yet the technological side of his strategy

also effectively managed to exclude the Scottish coalfield from being a main part of the NCB's plans, for it was unable to participate within the super-pit strategy due to more complicated geological conditions. These conditions require conventional management techniques due to a wider variety of underground environments than are found in the central English coalfield. The coalfield was thus doubly disadvantaged. Scotland has consequently been caught within a downward spiral wherein lack of investment has led to worsening Machine Available Time, (MAT), stagnation, rundown and final closures.

In 1987/88 BC claimed that all of Scotland's deep mines were uneconomic. Yet this claim is open to some considerable debate, for it hinges upon the particular accounting system used by BC[4]. In order to understand the crisis facing the Scottish industry it is, therefore, worthwhile to examine both the means by which Scotland's pits have been declared unproductive, and closed, over the last 9 years, and the problems which have confronted the Scottish Area, (now no more), which have engendered such an argument.

Clearly, part of Scotland's peripheral status is related to its minor strategic importance to BC's major market, the CEGB, to which sales have declined over the last few years to insignificance; some 11,873 tonnes going incoast from Leith in 1987 compared to 400,000 tonnes in 1986. BC decides whether to take Scottish coals for the English power stations dependent upon English production with its current strategy being not to use Scottish coals if there is stockpiling in England. Thus, BC only turns to Scottish supplies if there are problems with English supplies; for example, industrial action or logistical problems. At national level, therefore, Scotland plays only a minor role in BC's overall plans.

As was noted earlier, national funding largely goes to those areas which supply the power stations, which thus means that any Scottish investment must come from local resources; the exception being Castlebridge. However, under BC accounting systems, such major local investment counts as a loss against the area concerned, with minor developments being charged against the specific pit. For example, this was the case with the redevelopment of Polmaise, the cost of which was carried by the Scottish Area, and counted as a deficit in the accounts. This somewhat peculiar accounting system, which writes off investment as loss, acts to portray an even gloomier picture for the Scottish industry in two major additional ways. Firstly, although Scotland does not participate in large-scale national projects, with most funding going to Central England, interest payments on these are carried nationally by the 10 areas. According to the Latest Outturn Prospects, for example, the interest burden for 1988/9 will be some £430 million, to which the Scottish pits will contribute. Scotland, therefore, pays but does not receive. Secondly, the cost of pit closures is spread across the operating units, thus successive

closures put additional burdens upon remaining pits. Again, the Latest Outturn Prospects estimate that for 1988/9 net restructuring costs will amount to some £54 million, with this figure rising with further potential Scottish closures. Yet if such strategies serve to disadvantage peripheral areas such as Scotland and, as the Scottish Coalfield Project argues, exaggerate its losses, the actual means whereby economic viability is assessed also serves to jeopardise Scottish pits[5].

The major criteria whereby Scotland is judged as unecomic hinges upon the somewhat crude analysis of output per manshift, (OMS), costs per tonne, and profits and losses. Substantial criticisms of this method have been made by both the Monopolies and Mergers Commission and the Scottish Coalfield Project[6]. The SCP, for example, argues that this fails to take into account that OMS is dependent not purely upon physical labour but also factors such as capital investment in both face and travelling machinery, and higher labour costs caused by overtime payments. If one adds to this the problems potentially caused by adverse geological conditions one can see how such judgements may serve to disadvantage Scottish pits over time. Such a situation acts as a 'Catch 22'. Scottish pits have been assessed by OMS figures which serves to 'establish' their unproductive nature, and then such judgements are used to determine whether pits should receive investment. However, low productivity may be seen as resulting from under-investment in the first instance. The SCP argues that all Scottish pits closed in the 1980s have been subject to under-investment in the years prior to their closure, as, indeed, has the Scottish Area as a whole. For example, in 1987 investment in the Scottish Area was the second lowest of the 10 areas of the British coalfield, at a mere £13 million, out of a total figure of £615 million; the lowest amount of £3 million going to the small Kent coalfield, and the largest amount, £232 million going to North Yorkshire.[7]

The consequences of under-investment will be looked at in more detail in the next section, in which we shall examine the particular case of Seafield Colliery in Fife. For the moment what is of interest is the way in which this acts to undermine the Scottish coalfield. The crude guidelines used to establish a pit's worth, outlined above, have had two effects. Firstly, under-investment as a result of BC decisions vitally affects the amount of MAT that is possible at a productive unit. Lack of financial input into the infrastructure of a pit lowers productivity in three potential ways; either by increasing the amount of time men take to get to the face by lack of investment in man-riding facilities, the use of out-moded equipment at the face, which may consequently be subject to breakdowns stopping production, or by leading to technological shortcomings in machinery to take coal to the surface which creates a bottleneck of coal underground. Thus, even whilst Scottish pits may not be suitable to all the high-cost investments in automated processes, under-investment in traditional engineering equipment may crucially impede a pit's performance.

Secondly, managerial decisions on the basis of the assessment of short-term productivity figures set against, again, short-term assessments of market demand, the need to break even or whatever, may result in pit closures which waste millions of pounds in closures, and further disadvantage remaining units. This progressive series of events resulting in economic catastrophe may be seen in relation to the closures of Highhouse, Sorn, Polkemmet, Comrie and Seafield, all of which suffered from declining MAT in the periods before closure between 1979 and 1988.

Associated with under-investment and closures, however, have been additional problems which have had a severe impact on Scotland's pits; namely, the loss of manpower through redundancy as BC has sought to minimalise the costs of production, and demoralisation among the workforce resulting from occupational insecurity. Gaining momentum since the end of the miners' strike, the redundancy payments offered until March 1987 meant men could leave the industry with £1,000 for every year worked. A new scheme introduced later that year and lasting until March 1988 was for redundancy terms which gave men with at least two years service a £5,000 bonus payment if they quit the industry before the end of the financial year. The eagerness with which increasingly younger men have chosen to leave the pits has been indicative of both low morale and faith in the industry. As Scottish miners have come to believe in the imminent demise of their pits, the choice has been one of choosing between staying in employment which may shortly be ended or leaving early with what is seen as a large sum of money.

Yet with growing numbers leaving the pits, the situation within the remaining units has deteriorated. This 'culling' of the workforce has been largely unplanned, with litle thought to the types of worker leaving. Consequently, some pits have experienced a loss of skilled men who, if anything, have become doubly necessary in a time when under-investment has meant that the infrastructure of the pits has become increasingly outmoded and unfit for production. Poor man management has had three effects.

Firstly, by losing the older, more experienced men productivity may decline, for lost skills means pits may increasingly witness time lost through machine breakdowns due to the lack of craftsmen to solve difficulties, a shortage of workers with experience of face problems, or of the necessary men to ensure materials get quickly to the point of need. Secondly, reduced manpower means that the remaining miners have had to spend more time working overtime to make up for worker shortages, leading to overtiredness on a job where mental alertness, or lack of it, may save or lose lives. Related to this may be the problem of high absenteeism due to overwork, and the disruption of the work schedule as men choose to work on shifts that will pay overtime rather than normal rates. Thirdly, undermanning has led to BC introducing contractors into the Scottish pits.

The advantages of contractors in pits without a guaranteed future are clear, for short-term contracts are more flexible and inexpensive; and BC does not have to pay redundancy money if a pit closes. Yet contractors have exacerbated difficulties for industrial relations in the industry for the miners resent the presence of such workers, often more highly-paid for the same work in their collieries.

All the factors outlined above have served to enhance the last major problem for the Scottish industry; namely, the profound demoralisation of the Scottish miners since the miners' strike. All too clearly aware of the under-investment in their collieries, the closures taking place around them which further limit employment opportunities, and the problems inhibiting productivity, all Scottish miners interviewed since the strike have attested to the belief that the Scottish pits will soon no longer exist. Under such circumstances, with morale at rock bottom, the will to mine coal has been lost. Even the Scottish Area Director, George McAlpine, has expressed grave concern over this issue. He stated, in May 1988 in relation to the ongoing feud with the SSEB:-

> "Our current below-par performance is undoubtably related to the fact that we have been living on the edge of a precipice, not knowing whether we will have a market for the coal we produce[8]."

Yet this crisis of morale has been in existence, as stated earlier, from prior to the current crisis, and whilst exacerbated by the SSEB dispute, demoralisation has been caused by BC's lack of commitment to the Scottish pits over the last 9 years, and more recently, since the end of the strike. All the points raised generally above can be amply demonstrated in the case of Seafield Colliery in Fife, which was closed in March 1988 for being 'unproductive'. A brief examination of the salient points raised by this closure will thus illustrate the crisis in the Scottish industry.

Seafield Colliery: A Test Case

Sunk in 1954, Seafield was to be one of the modern, mechanised pits upon which the young nationalised industry was to place its hopes. Drawing upon the rich reserves lying under the Forth, specialising in high quality household coals, it lay within the Fife coalfield, which was designated as the growth area of the Scottish coalfield by the NCB[9]. To it were drawn men from all over the coalfield as older pits were shut. By 1979 it had an average yearly workforce of 2173. However, by 1984 this had dropped to some 1855 men, with further reductions being made in the wake of the strike, with only around 1050 miners starting in 1985. Two new faces were being brought into operation at this time to replace the older faces ceasing production, L11 and D17. One of the new faces,the L15, was lost due to fire in January 1987, and consequently the remaining new face, the D19, was rushed into production. During the same period the workforce suffered further

reductions from 820 to 680. By 1987, Seafield was thus dependent upon only one face for its survival, and working with a much reduced workforce.

To guarantee the pit's future, therefore, new investment was imperative. This issue had become vital by Spring 1987, for the D19 had a life expectancy of some 2 years, approximately the same period as that necessary to bring a new face into production. However, when Mr McAlpine stated on 6th May 1987 that £10 million was to be invested in a new face, the D52, this was made contingent upon maintaining a production target of some 4 tonnes OMS; a higher target than the average for the British coalfield at that time. The management then claimed that the pit failed consistently to meet this target and on the 25th November Mr McAlpine stated that the pit had 6 weeks to meet the 4 tonnes OMS or the pit would close. He estimated that the pit would lose some £11 million in 1987/88. The closure decision was announced on the 11th January 1988. It was a decision which would mean the irredeemable loss of reserves of some 100 million tonnes, and related jobs, to the Scottish economy.

The closure of Seafield was, on the surface, caused by failure to meet BC's criteria for productivity. But the issue is not as simple as it seems, for managerial decisions and targets had placed the pit in a position which made it virtually impossible to succeed. The productivity target was set against ideal criteria wherein constant coal shear could be maintained, yet there were several factors which prevented this being achieved.

Firstly, Seafield, by its nature, was subject to geological difficulties, such as steep seams and coals prone to spontaneous combustion, which created particular problems for working. Secondly, failure to invest in the infrastructure of the pit resulted in problems in maintaining production. Between April and May 1987 breakdowns on the 6 year old conveyor belt systems, not modernised due to lack of cash, lost the pit an average of 2 to 3 shifts a week as production halted[10]. In September, problems over excessive dust led to a strike, and in the same month when the shearer broke down, managerial insensitivity in dealing with the issue led to a further strike. Thirdly, MAT was lessened due to under-investment in man-riding systems conveying men to and from their work. The face at Seafield was some 6 kilometres from the pit bottom and took over one hour to reach. Travel was by a combination of man-riding 'boggies' and a belt, with the last kilometre or so by foot, in wet conditions and excessively humid heat. The SCP estimated that some 3 hours 19 minutes were spent daily in travelling, thus reducing MAT to 4 hours 17 minutes[11]. Union officials constantly raised the isue of manriding facilities at Joint Consultative Committees, yet Mr McAlpine argued it was hard to get investment given Seafield's productivity statistics[12].

Problems with under-investment were compounded by redundancies at the pit, for many workers leaving the industry were from the skilled

grades increasingly needed to maintain equipment. In March 1985 there had been 245 skilled workers at Seafield. By the end of 1986 111 had left, with a further 82 leaving after the loss of the L15. By the end of 1987 only 92 skilled men were left at the pit[13]. These losses presented two problems. Firstly, essential maintenance was neglected due to a shortage of the necessary men, and, secondly, workers had to put in increasing amounts of overtime, leading to overtiredness. The SCP notes that despite a great reduction in the workforce between 1985 and 1987, overtime hours worked remain roughly at the same level, indicating a greater burden on remaining men[14].

After the fire, by April 1987, some 80 Cementation contractors were brought into the pit. This move worsened the situation in two ways. The contractors were being paid at higher rates than the BC workforce. This became known to the men as the contractors' paylines were sent to their homes rather than given to them at the pit, and led to a great deal of resentment. Further, these higher wages were counted as part of Seafield's costs. When taken in addition to the redundancy payments made at the beginning of the year, this enhanced the pit's weak financial position.

In this atmosphere the morale of the men plummetted. Initially enspirited by news of the investment production figures rose from the end of May 1987, yet from July output dropped again as the men began to realise that the £10 million would not come[15]. Yet demoralisation was not the result purely of the events of 1987. When fieldwork commenced in the aftermath of the strike there was already a clear crisis of confidence among the Seafield men. As early as late 1985 men were predicting that the pit would be shut in the immediate future. They saw this as a fact; merely the date was uncertain. The rundown of the Scottish Area, managerial attitudes and lack of investment were already discernible signs to the men that their pit would be lost. Understanding the criteria by which their pit was judged, they foresaw that crisis would come. The last shift was on the 18th March 1988.

This example shows us how BC's policies and decision-making have brought about a self-fulfilling prophecy of crisis to Scottish pits. Yet they also carry ramifications for Scottish markets in coal. It is to the main trends in this area that we now briefly turn.

Coal Markets in Scotland

By 1987/88, closures in Scotland have reduced the deep-mine capacity to some 2.6 million tonnes per annum, a reduction of .8 million tonnes from 1986/87 caused by the closures of Seafield and Monktonhall. A further 2.4 million tonnes came from BC opencast, and c.5 million tonnes from private opencast during this earlier year. Of this 4.8 million tonnes went to the SSEB, BC's largest Scottish customer[16]. This concentration on the 'easy'

market of the power stations has encouraged certain key trends in Scottish domestic markets, engendering a situation wherein Scotland, as with England, has become overly dependent upon the power station market to the detriment of other potential markets.

Marketing priorities have increasingly turned from specialist products, a policy which has led to closures of household coal pits such as Seafield and Comrie, and coking coal pits such as Cardowan and Polkemmet. The closure of these latter, for example, means that in 1986/87 Ravenscraig imported 2.6 million tonnes of coking coal at over £80 million due to the lack of available sources in Scotland. Today, domestic coal demand also is met by coals from outwith Scotland.

The closures of the Frances (1985), Killoch (1986) and Seafield (1988) mean that only Bilston Glen still produces household coals. Demand is therefore increasingly met by English coals, (for example, from Kellingley and Broadsworth), Welsh anthracite and manufactured fuels. Yet even here BC is not satisfying its market. Merchants and agents complain of bad quality, often caused by bad preparation, high prices and broken agreements for tonnages and sizes. Merchants are increasingly turning to alternative fuel supplies, whether imports or private opencast.

Much of this trend results from the miners' strike when, because of fuel shortages, other sources had to be found. In the aftermath of the strike the above problems with BC meant that many chose to stay with their new suppliers. Merchants prefer the cheaper prices, often savings in excess of £10 per tonne for foreign and opencast coals, the willingness of suppliers to fulfil contracts, and the greater choice in coals. Many argue that foreign and opencast coals are of superior quality, they have more come-back on opencast suppliers, and can readily change a foreign source.

Private opencast has been the main gainer from BC's problems. Scotland is the major opencast producer in Britain, and merchants find that they have greater access to such coals than with BC, which supplies from the south. But foreign coals are becoming increasingly available with overseas suppliers eager to break into Scottish markets. This trend goes unchecked largely due to BC's apparent lack of interest in the domestic coal market. Merchants complain, for example, that BC prefers to supply the SSEB as quality and preparation are unimportant to the power station market. Further, they claim, certainly with evidence in the case of Seafield, for example, that good household coals, which their customers seek, are being crushed to supply the power stations.

More importantly, BC is not fighting to retrieve lost Scottish markets which, indeed, seem as peripheral to its concerns as Scottish production. One large merchant, for example, argued that prior to the strike his company had bought £250,000 of BC's coals yearly, but that in 1987 they

had bought only £10,000. Yet BC had made no attempt to contact the dealer to enquire whether there was a problem. Solid Fuel Advisory Service employees confirm such statements, by arguing that BC's concerns are dominated by the English market, and that marketing strategies are not sensitive to Scottish needs. Further they complain that too many resources are being wasted on unproductive schemes and given to private commercial agencies.

BC, therefore, appears to have abdicated from the declining Scottish market. With coal consumption coming under strong attack from gas and electricity, BC is failing to attempt to secure existing markets. At the present time Scottish household coals come largely from private opencast licensees, who pay BC a levy of £14 per tonne, and this is the only Scottish growth area, with some 23.3 million tonnes of opencast reserves with planning approval for either BC or private development. Failure to invest in the Scottish industry thus means not only declining jobs, whether directly in the pits or in associated industries, but also has weakened the domestic economy through the growth of imports. This failure may well become increasingly important to the Scottish economy in the future.

Conclusion

BC has, increasingly oriented its production to the English coalfield and, by failure to invest, critically undermined the Scottish industry. Yet its policies are extremely shortsighted for several reasons.

The over-dependence on the SSEB may well prove crucial in the next few years. The SSEB has commissioned 1,400MW of new nuclear capacity in 1988/89, and with the Torness AGR coming on stream SSEB demand is anticipated to fall from 4.8 million tonnes to 2.5 million[17]. Already in 1986/87, some 40% of this was met by opencast supplies, and by the 1990s the entire amount could be met from this source. Further, the government has stipulated that 25% of privatised electricity must be bought from nuclear energy at whatever the cost. The SSEB market, therefore, could well be lost.

This shortsightedness also manifests itself in relation to the international scenario. Although gas production is increasing, oil reserves are expected to be scarce by the mid-21st century. The future of the nuclear energy industry is still uncertain. The USA, for example, has not built any nuclear reactors for some 10 years, and has been expanding coal-fired capacity. In terms of BC's competitiveness on the world market, the current low prices are not expected to continue. There have already been world price increases from autumn 1987 as foreign pits selling at below production cost prices have closed. The SCP estimates that by the mid-1990s the world price will be higher than that of Scottish coals. Closures brought about by short-term policy decisions could thus prove more costly

to the economy than already realised, for the end of the industry would mean the reliance on foreign supplies. Domestic supplies could not be met by the limited opencast reserves, for these are too small fully to replace deep-mined coals.

The picture, however, is not necessarily as gloomy as it appears, for several options are open to the Scottish mining industry. For example, the SSEB currently has excess capacity, which provides the potential for sending coal-generated electricity down the wire to England. The 400KV line and two 275KV lines linked to the Stella sub-station in Newcastle offer the possibility of sending some 1,500 MW to England, and would help overcome the financial burden involved with current plans to build eight new stations in the south of England[18]. Scandinavian power stations, which have ceilings on sulphur content, (for example, Sweden has a limit of .8%), offer potential markets for Scotland's low sulphur coals, such as that which would come from a newly-developed Frances Colliery. Ireland also offers a nearby market for it possesses few fossil fuels. Scotland could thus have a profitable future in industrial coals.

With household coals BC has three main possible options. Firstly, it could increase profitability by operating its own shops, something like British Gas shops, selling appliances and fuels, thereby cutting out the middle men. Secondly, it could exploit its opencast reserves itself, for if private suppliers can make profits after paying BC a levy, then surely BC could also make a profitable business from opencast coals, whilst operating a responsible policy of exploiting these limited reserves. Thirdly, it must secure markets in the highlands before more isolated areas are opened up by gas supplies.

These examples highlight certain potentialities for BC, and indicate that the current crisis is reversible. They must, on no account, be seen as exhaustive, however, but serve merely to demonstrate potential strategies which would generate a viable Scottish mining industry. They seek to illustrate that what is necessary to re-establish a productive industry is not the mere presence of coal, for that is abundant, but the will, the political will, so to do.

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3. from J Saville, (1985/96), 'An Open Conspiracy: Conservative Politics and the 1984-5 Miners' Strike', *The Socialist Register*, pp. 296-7.

4. D Cooper and T Hooper (eds) (1988), *Debating Coal Closures*, Cambridge: University Press. This contains a range of arguments made in 1984/5 about how accounting systems can disadvantage a colliery or coalfield by comparison with others.

5. There is a further problem with the accounts. BC have claimed recently that opencast coals are more profitable than deep-mined coals. Opencast certainly does have lower capital costs, and can come on stream more quickly than a deep mine. Current costs work out at c.£1.13p GJ, (a gigajoule is a measure of heat produced), which is the target cost per GJ for the deep mines, not yet achieved. BC claimed to the unions in 1987 that the 'income' from opencast was c.£1.73p GJ for Scotland in 1986/87 mainly from sales to the SSEB. Thus, there appeared to be a profit of 60p GJ. Yet this claim is based on an accounting procedure with shadow prices, not on market decisions. What it disguises is a decision by BC to allocate a higher figure per GJ to opencast than to deep mines. Thus, whereas opencast was given £1.73 p GJ when the average price from the SSEB was £1.69 GJ, Longannet only received an average of £1.64p GJ for the year, with prices falling to below £1.60p GJ by the end of the year. These accounting figures were then used in the summer of 1987 to further demoralise and cajole the Scottish unions and workforce, for they exacerbated the seemingly poor financial position of the deep mines.

6. Monopolies and Mergers Commission Report, (1984); G Kerevan and R Saville, (1984), *The Economic Case for Deep Mined Coal in Scotland*, Edinburgh; The Scottish Coalfield Project, (1988), 'Scottish Coalfields Study 1988: A Plan for Scotland's Energy Future'.

7. BC Annual Accounts, (1986/87).

8. *The Scotsman*, 10/5/88.

9. NCB, *Plan for Coal*, (1950).

10. SCP, 'Scottish Coalfields Study', Vol. 3, p.122.

11. *Ibid*, p.124.

12. Joint Consultative Committee Minutes, 6/5/87.

13. SCP, 'Scottish Coalfields Study', Vol.3, p.128.

14. Average weekly overtime figures stood at 674 hours for the week 21/6/85 and 661 hours for the week 21/11/87.

15. On 16th May 1987 Seafield was meeting 90% (12,600 tonnes) of its production target, by 18th July 1987 this had dropped to 58.2% (8,150 tonnes).

16. M Prior and G McCloskey, 'Coal on the Market: Can British Coal Survive Privatisation?', *FF International Coal Report*, (1988) p.100.

17. *Ibid*, p.100.

18. *Ibid*, p.100.

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